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TAGS: ECIN ETRD CO

SUBJ: COLOMBIAN ATTITUDES TOWARDS THE ANDEAN PACT

REF: BOGOTA 0782

SUMMARY: THE INABILITY OF THE ANDEAN PACT COUNTRIES TO MEET THEIR ORIGINAL GOALS IN TARIFFS AND SECTORAL PROGRAMMING, THE IMPRESSION THAT COLOMBIA'S INTERESTS WERE NOT MET IN ELECTING NEW PACT OFFICIALS, THE TRADITIONAL RELUCTANCE TO MAKE SHORT-TERM SACRIFICES TO ACHIEVE LONGER TERM BENEFITS AND ESPECIALLY DECISION 100 HAVE, TAKEN TOGETHER, PROVIDED THE BASIS FOR STRONG PRIVATE SECTOR CRITICISM OF COLOMBIA'S ROLE IN THE ANDEAN PACT. WHILE GOVERNMENT OFFICIALS SHARE SOME OF THESE MISGIVINGS, THE GOVERNMENT SECTOR BY AND LARGE REMAINS COMMITTED TO THE PACT AND LOOKS UPON DECISION 100 AS PROVIDING THE KIND OF FLEXIBILITY NECESSARY TO PERMIT THE SIX COUNTRIES TO MOVE AHEAD. END SUMMARY

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1. THE COLOMBIAN PRIVATE SECTOR, LED BY THE POWERFUL NATIONAL

ASSOCIATION OF INDUSTRIES, HAS BECOME INCREASINGLY VOCAL IN ITS CRITICISM OF COLOMBIA'S ROLE IN THE ANDEAN PACT. BEGINNING LATE LAST YEAR, THIS CRITICISM WAS FOR THE MOST PART DIRECTED AT THE INABILITY OF THE SIX COUNTRIES TO IMPLEMENT THE ORIGINAL SCHE- DULES FOR CONCLUDING SECTORAL PROGRAMMING AGREEMENTS, WITH ADEQUATE ASSIGNMENTS FOR THE COUNTRY, OR TO PUT INTO EFFECT A COMMON EX- TERMAN TARIFF WHICH WOULD BE HIGH ENOUGH TO PROVIDE SOME PROTEC- TION TO INDUSTRY BUT NOT SO HIGH AS TO PROMOTE COSTLY, IMPORT SUBSTITUTION POLICIES. SOME OF THE PRIVATE SECTOR'S CRITICISM WAS DIRECTED TOWARDS THE THEN MEMBERS OF THE JUNTA WHO WERE LOOKED UPON AS BEING INEFFECTIVE AT BEST AND ANTI-COLOMBIAN AT WORST. THE PERSONNEL PROBLEM WAS TO HAVE BEEN RESOLVED BY THE ELECTIONS HELD EARLIER THIS YEAR IN WHICH, UNDER THE TERMS OF THE PEREZ-LO- PEZ AGREEMENT LAST JANUARY, A COLOMBIAN WAS TO HAVE BEEN NAMED TO THE PRESIDENCY OF THE ANDEAN DEVELOPMENT CORPORATION (CAF). RE- PORTEDLY, THAT AGREEMENT ALSO PROVIDED FOR A MAXIMUM DELAY OF 18 MONTHS IN IMPLEMENTATION OF THE SECTORAL PROGRAMS AND THE COMMON EXTERNAL TARIFF. THE AUTOMOTIVE SECTOR PROGRAM WAS TO HAVE BEEN SIGNED BY MJMCH OR APRIL. THE FACT THAT THE ESSENTIAL ELEMENTS OF OPE PEREZ-LOPEZ AGREEMENT WERE NOT PUT INTO EFFECT WAS A PSYCHO- LOGICAL BLOW TO MOST LEADERS IN THE COLOMBIAN PRIVATE SECTOR. THE IMPACT OF THIS BLOW WAS DOUBLED BY THE ADOPTION OF DECISION 100.

2. THE COLOMBIAN PRIVATE SECTOR LOOKS UPON DECISION 100 AS A VERY LARGE STEP ZYCK FROM THE GOALS OF INDUSTRIAL EFFICIENCY, ECONO- MIES OF SCALE AND THE REDUCTION OF OVERLY PROTECTIVE TARIFFS. PERMITTING A SECTORAL PROGRAM TO MOVE AHEAD WITH THE AGREEMENT OF ONLY FOUR OF THE SIX MEMBER COUNTRIES WILL, ACCORDING TO ANDI, SEVERELY LIMIT MARKETS AND, CONSEQUENTLY, THE POSSIBILITIES OF ACHIEVING ECONOMIES OF SCALE. INSTEAD OF REACHING FOR TRUE COM- PETITIVENESS, THE RESULT WILL BE IMPORT SUBSTITUTION OPERATING UNDER TMG GUISE OF INDUSTRIAL LIBERALIZATION. DOUBTS REGARDING THE EFFICACY OF THE FOUR-COUNTRY CONCEPT ARE CLOSEHLLINKED WITH CRITICISM OF THE "TARIFF BAND" WHICH PERMITS ESTABLISHMENT OF MAXI- MUM AND MINIMUM LEVELS OF THE COMMON EXTERNAL TARIFF. THE PRIVATE SECTOR LOOKS UPON THE TARIFF BAND AS SUPPORTING PROTECTIONISM, ENCOURAGING IMPORT SUBSTITUTION AND CONTRIBUTING TO HIGHER COSTS FOR ESSENTIAL IMPORTED INPUTS. THE ABSENCE OF MOVEMENT TOWARDS PROGRAMS IN AGRICULTURE, TRANSPORTATION AND SERVICES AND THE LACK OF ANY APPARENT SUPPORT FOR THE CREATION OF AN ANDEAN COURT OF LIMITED OFFICIAL USE

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JUSTICE ARE ALSO NETTLESOME POINTS TO THE PRIVATE SECTOR.

3. THE ANDI AND OTHER ORGANIZATIO A HAVE NOT LIMITED THEIR BROAD- SIDES EXCLUSIVELY TO DECISION 100 OR THE COLLAPSE OF THE PEREZ- LOPEZ AGREEMENT. TSA PRESIDENT OF THE LARGEST BANK (AND A VERY CLOSE SUPPORTER OF THE GOVERNMENT) RECENTLY CALLED FOR LESS BUREAUCRACY AND MORE DECISION IN THE PACT AND ENCOURAGED GREATER EFFORTS TOWARDS DOMESTIC CAPITAL ACCUMULATION. MORE SIGNIFICANT,

HOWEVER, ARE THE EFFORTS OF THE ANDI TO STRESS THE INCONSISTENCIES BETWEEN THE AGRICULTURALLY-ORIENTED COLOMBIAN DEVELOPMENT PROGRAM AND THE ANDEAN PACT PROGRAMS. BECAUSE OF ITS HEAVY EMPHASIS ON THE RURAL SECTOR AND THE POORER 50 PERCENT OF THE POPULATION, INDUSTRY HAS BEEN LESS THAN ENCHANTED WITH THE LPAN FROM THE BEGINNING, CHOOSING, PERHAPS DELIBERATELY, TO OVERLOOK THE LONGER TERM BENEFITS THAT WILL ACCRUE TO ALL FROM IMPROVED HEALTH, PRODUCTIVITY AND PURCHASING POWER IN THE RURA SECTOR (THE FACT THAT THE PLAN IS MOVING AHEAD VERY SLOWLY IS LESS A TOPIC OF CONVERSATION). THE INCONSISTENCIES, ACCORDING TO THE ANDI, STEM FROM THE FACT THAT THE DEVELOPMENT PLAN PROMOTES AGRICULTURE WITH LITTLE IMMEDIATE BENEFIT TO INDUSTRY WHILE THE ANDEAN PACT SHOWS LITTLE ENTHUSIASM

FOR SECTORAL AGREEMENTS IN AGRICULTURE, PREFERRING INSTEAD TO FOCUS ON INDUSTRY, SOMETIMES IN SUCH A WAY (AS IN THE CASE OF DECISION 100) AS TO PERPETURATE INEFFICIENCIES AND HIGH COSTS.

4. TO A CERTAIN EXTENT, THE GOC SHARES THE CRITICISMS OF THE PRIVATE SECTOR AND HAS ATTEMPTED TO RESPOND TO THEM. AGRICULTURAL PROGRAMMING WITHIN THE PACT IS CERTAINLY A GOC GOAL, AS IS RATIONALIZATION AND AGREEMENT WITHIN THE TRANSPORT AND SERVICE SECTORS. COLOMBIA'S GEOGRAPHIC POSITION IS EXCELLENT AND THE GOVERNMENT LOOKS UPON IMPROVED TRANSPORTATION, FOR EXAMPLE, AS A MEANS OF INCREASING ITS INDUSTRIAL AND AGRICULTURAL EXPORTS TO THE OTHER PACT COUNTRIES. MOREOVER, THE GOVERNMENT FOUGHT HARD TO IMPROVE COLOMBIAN ASSIGNMENTS WITHIN THE STILL UNSIGNED AUTOMOTIVE SECTORAL AGREEMENT, ARGUING SUCCESSFULLY THAT COLOMBIA, WITH THE LARGEST POPULATION AND THE GREATEST AGRICULTURAL POTENTIAL, DESERVED AN APPROPRIATE SHARE OF THE INDUSTRIAL ASSIGNMENTS.

5. WHERE THE GOVERNMENT AND THE PRIVATE SECTOR TEND TO PART COMPANY, HOWEVER, IS IN AN EVALUATION OF THE REAL LONG-TERM BENEFITS OF THE PACT. THE PRIVATE SECTOR IS, GUITE NATURALLY, MORE ORIENTED LIMITED OFFICIAL USE

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ED TO THE ECONOMIC RETURNS OF INCREASED INVESTMENT, INCREASED PRODUCTION, INCREASED EXPORTS AND INDUSTRIAL EFFICIENCY. WHILE FULLY COMMITTED TO THE ECONOMIC BENEFITS OF THE PACT, AND WILLING TO FIGHT HARD FOR THEM, THE GOC CONSISTENTLY HAS BEEN AWARE OF THE POLITICAL BENEFITS OF THE PACT CONTINUING AS A VIABLE ORGANIZATION AND, THEREFORE, WITH THIS IN MIND, HAS BEEN WILLING TO AGREE TO SOME SHORT-TERM SACRIFICES IN ORDER TO ACHIEVE THE LONGER TERM ADVANTAGES OF CONTINUING COHESION AND MOVEMENT IN THE INTEGRATION PROCESS. THE GOC'S AGREEMENT TO DECISION 100 SHOULD BE VIEWED AS A TYPE OF PRAGMATIC COMPROMISE INCORPORATING BOTH ECONOMIC AND POLITICAL OBJECTIVES.

6. BOTH PRESIDENT LOPEZ AND DEVELOPMENT MINISTER RAMIREZ OCAMPO HAVE SPOKEN OUT IN FAVOR OF DECISION 100, WHICH WILL BE SUBMITTED TO THE COLOMBIAN COGRESS FOR APPROVAL IN JULY. IN A SPEECH BEFORE

THE ANDEAN LABOR MINISTERS, LOPEZ NOTED THAT DEVELOPMENTS UNFORE-
SEEN AT THE TIME THE CARTAGENA AGREEMENT WAS SIGNED HAD MADE IT
IMPOSSIBLE TO COMPLY WITH THE ORIGINAL DEADLINES AND THAT, THERE-
FORE, COLOMBIAN VIEWED DECISION 100 WITH SATISFACTION. SPEAKING
BEFORE BUSINESS COMMUNITY LEADERS, RAMIREZ OCAMPO DESCRIBED DE-
CISION 100 AS BEING FAVORABLE TO COLOMBIAN INTERESTS IN THAT IT
WOULD PERMIT THE CONTINUATION OF THE INTEGRATION PROCESS AND, AT
THE SAME TIME, WOULD GIVE THE GOVERNMENT GREATER FLEXIBILITY IN
PURSUING DOMESTIC DEVELOPMENT GOALS. LOPEZ AND OTHER GOVERNMENT
SPOKESMEN HAVE ALSO INDICATED A WILLINGNESS ON THE PART OF COLOM-
BIA TO SUPPORT MODIFICATIONS TO DECISION 24, IN ORDER TO BRING IT
INTO LINE WITH THE FINANCIAL REALITIES OF THE DAY.

7. THE DISCUSSIONS OF THE MODIFICATIONS TO THE AGREEMENT OF CAR-
TAGENA WILL CONTINUE AND MAY REACH NEW LEVELS OF INTENSITY WHEN
THE SUBJECT COMES UP FOR CONGRESSIONAL APPROVAL. HOWEVER, THE
PRESIDENT AND HIS KEY ECONOMIC ADVISORS APPEAR FIRM IN THEIR COM-
MITMENT TO THE ANDEAN PQCT, FOR POLITICAL AND ECONOMIC REASONS,
AND WE EXPECT THAT DECISION 100 WILL RECEIVE FAIRLY EXPEDITIOUS
APPROVAL BY THE CONGRESS.

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